

Bumi Armada (BAB MK)

4Q25: Major Loan Repayments To Sustain Value

Highlights

- **2025 core profit (nearly halved yoy) and EBITDA were within expectations**, as they reflect: a) lower FPSO Kraken and TGT1 earnings on contract extension; and b) lower finance lease revenue of FPSO Olombendo, assuming late-3Q is the anniversary. As long as no new major contracts are secured, BAB's profit base will decline in tandem with the finance lease accounting, but major loan repayments in 2026/27 should be more than sufficient to project net profit growth. However, we assume FPSO Kraken earnings risk for 2026 forecast. After a minor 1-8% earnings upgrade, we still see value in the stock despite no foreseeable catalysts. Retain BUY and RM0.40 target price.

4Q25 Results

Year to 31 Dec (RMm)	4Q25 (RMm)	qoq % chg	yoy % chg	Ytd 2025 (RMm)	yoy % chg	Comments
Revenue	347.1	(3.8)	(34.9)	1588.9	(30.9)	FPSO Kraken: RM437m lower revenue
- Floating (FPSO, subsea)	342.6	(4.0)	(35.3)	1576.8	(30.5)	FPSO Olombendo: RM132m lower revenue
- Engineering, Technology	4.5	16.1	21.5	12.1	(71.4)	FPSO TGT: RM61m lower revenue
EBIT	78.3	(31.3)	(73.8)	516.5	(55.1)	
- Floating (FPSO, subsea)	122.9	(5.6)	(59.2)	646.3	(47.0)	Adjusted 4Q25 revenue: RM439m, this assumes FPSO Olombendo and
- Engineering, Technology	(44.7)	175.7	2306.7	(129.8)	88.3	Malta are not on finance lease
Operating margin (%)	22.5%	-9.1%	-33.6%	32.5%	-17.6%	
Finance Cost	(51.6)	(11.5)	(43.2)	(243.4)	(21.5)	
Associates	(13.1)	(167.9)	9.6	42.1	27.5	Management fees offset in other income
PBT	81.3	(15.4)	516.9	445.3	(31.1)	
PATMI	80.1	(16.6)	521.7	439.0	(30.7)	4Q25 Exceptional items (EI): RM13.1m
Core PATMI	90.0	(5.3)	(57.8)	477.1	(48.0)	forex loss, RM3.2m disposal gain

Source: Bumi Armada, Bloomberg, UOB Kay Hian

Analysis

- **2025 core profit comprised 95%/97%% of our/consensus forecasts**. 4Q25 operations generated RM198m EBITDA (3Q25: RM178m; 4Q24: RM359m). 2025 core profit base almost halved yoy, which is consistent with normalised quarterly EBITDA of RM0.2b appearing far lower vs prior year's RM0.35b base. This is due to: a) lower Kraken earnings after transitioning to Apr 25 contract extension; b) lower finance lease (FL) revenue from FPSO Olombendo eff 4Q25 (to recap, Olombendo's first oil was in Feb 17, but Production Readiness Notice was obtained in May 18. Hence we believe the actual final acceptance was likely confirmed in late-2H18, resulting in the finance lease anniversary date likely being in late-3Q or 4Q); and c) lower FPSO TGT1 revenue in tandem with lower charter rates after transitioning to Nov 24 contract extension.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	2,311	1,589	1,427	1,373	1,318
EBITDA	1,492	847	755	740	697
Operating profit	1,196	592	532	526	492
Net profit (rep./act.)	634	439	435	480	485
Net profit (adj.)	928	477	435	480	485
EPS	15.7	8.0	7.3	8.1	8.2
PE	2.0	4.0	4.4	4.0	3.9
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	5.2	7.8	7.8	6.6	6.1
Dividend yield	3.1	3.1	3.1	3.1	3.1
Net margin	27.4	27.6	30.5	35.0	36.8
Net debt/(cash) to equity	37.5	18.2	4.9	-	-
Interest cover	4.8	3.5	4.4	6.2	8.6
ROE	10.8	7.6	7.1	7.6	7.4
Consensus net profit	-	-	475	471	-
UOBKH/Consensus (x)	-	-	0.91	1.01	-

Source: Bumi Armada (BAB), Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM0.32
Target Price	RM0.40
Upside	+26.9%

Analyst(s)

Kong Ho Meng

homeng@uobkayhian.com

+603 2147 1987

Stock Data

GICS Sector	Energy
Bloomberg ticker	BAB MK
Shares issued (m)	5,927.9
Market cap (RMm)	1,837.7
Market cap (US\$m)	472.6
3-mth avg daily t'over (US\$m)	0.7

Price Performance (%)

52-week high/low					RM0.61/RM0.28
1mth	3mth	6mth	1yr	YTD	
(1.6)	1.6	(17.3)	(45.1)	5.1	

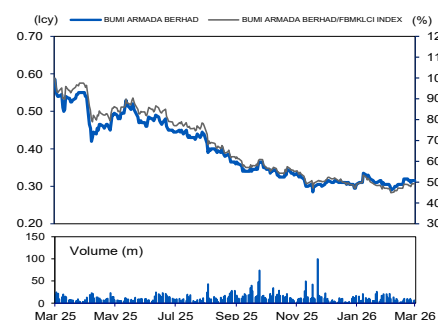
Major Shareholders

	%
Objektif Bersatu	34.6
Amanah Saham Bumiputera	8.5

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	1.11
FY26 Net Debt/Share (RM)	0.05

Price Chart



Source: Bloomberg

Company Description

Floating Production Storage and Offloading (FPSO) platform, Floating Liquefied Natural Gas (FLNG) vessel and offshore marine services owner. In recent years, BAB had been avoiding FPSO contracts that emphasized Engineering, Procurement, Construction and Commissioning (EPCC) scopes. The focus areas of its New Ventures unit are Floating Liquefied Natural Gas Unit (FLNG), Floating Storage & Regasification Unit (FSRU), Carbon Capture, Floating Carbon Dioxide Storage Injection Unit (FCSIU) to create negative emission, and Emission optimised FPSO

- 2025: A clean year with no impairments.** In comparison to the previous years, Bumi Armada (BAB) recognised a negligible RM17,000 receivable impairment in 2025. 2025's EI included RM32m forex loss, RM3.2m disposal gain of a subsidiary Bumi Armada Marine Ghana that was concluded in 4Q25, and RM16m exploration expense for the Akia Production Sharing Contract (PSC) incurred in 2Q25. Subsequently in 3Q/4Q25, exploration expenses were RM0.5m/quarter. There was also a lumpy RM46m management fees charged to a JV project (resulting in JV losses but offset by higher operating income entirely in 4Q25), and RM10m admin expenses representing a cost provision for a climate study project subject to client approval. We do not assume those three items as EI.
- 2026: Cautiously positioning itself for opportunities.** BAB had been paring down its debt to a low 0.2x net gearing. In addition, the \$250m non-recourse project loan for Olombendo will be fully paid by end-27. Despite this and the “hot” FPSO market over the past decade, BAB explained that recent FPSO demand emphasised EPCC scopes (removing asset ownership opportunities for BAB) are the types that it avoids on a project risk management basis. For instance, BAB walked away from its exclusivity position on FPSO Cameia when the final pricing was unfavourable. Contract extensions remain as its priority. FPSO TGT1 is set to expire in Nov 26, but with a high likelihood of extension, given that field operators' concession tenures were recently extended to 2032.
- BAB remains focused on Indonesia “New Venture” strategy.** Akia's study is expected to see results by 1Q26, and the Jalu PSC bid alongside a FPSO study could be concluded by 2Q26. A planned farmout of BAB's PSC stakes to new partners is crucial to reduce Indonesia upstream risk exposure, in order to remain focused on FPSO expertise and asset ownership.

Valuation/Recommendation

- Retain BUY with an unchanged SOTP-based target price of RM0.40 (implied 5.5x 2026F PE and 0.3x P/B).** Since the dispelling of MISC-merger rumour, BAB's share price fell to multi-year lows. While we still do not see major catalysts at this juncture, assuming the group's Indonesia “New Venture” plans are priced in by the market, we still see value in the group mainly due to its improving balance sheet.

Earnings Revision/Risk

- Adjusted 2026-27 earnings by +1%/+8%.** The upgrades were mainly due to recalibration of finance costs forecasts, as group debt will see substantial US\$250m repayment of Olombendo's debt by 2027. However, for 2026 we assume lower FPSO Kraken margin to conservatively account for higher costs due to unplanned shutdowns/repairs. In 4Q25, the group's owned FPSO fleet uptime was lower than normal at 96.9%, and FPSO Kraken had an unplanned shutdown on Production Train B (one of two Trains) for repairs in late-Dec 25 until end-Jan 26. We assume 1Q26 may have earnings risk, given a precedence where an unplanned repair occurred in September, but the financial impact fell in 4Q.

Share Price Catalysts

- Please see RHS table for potential, unanticipated catalysts.**

Environmental, Social, Governance (ESG) Updates

Environmental

- Carbon (CO2) Reduction.** Set targets using 2022 as the baseline
- Safety (HSE).** Lost Time Injury Frequency (LTIF) was nil in 2024, similar in 2023. There were additional stop work policies and staff training

Social

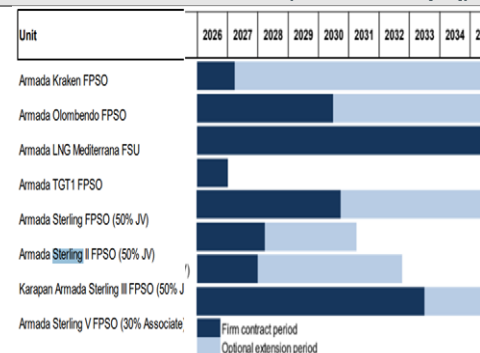
- Diversity.** 42% female proportion among onshore staff
- Charities in various countries of operations including the UK, Angola and India

Governance

- 4 out of 7 board members are independent

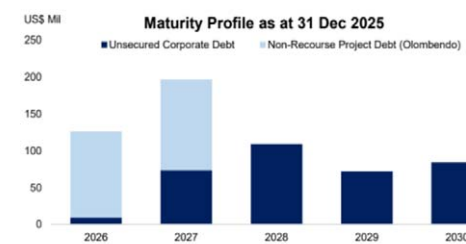
Source: BAB, UOB Kay Hian

Firm Orderbook: RM7.9b (vs RM8.6b qoq)



Source: BAB

Gearing Level



Source: BAB

2026: Wildcard Opportunities?

Revival of two Caspian Sea Subsea Vessels

- The two subsea vessels remain idle at **yearly stacking costs of US\$2.7m.**
- We were concerned initially, that the past working relationship of these vessels with “sanctioned” majors like Lukoil, may eventually result in zero redeployment opportunity and effectively **necessitate an impairment down to scrap value.**
- As there was no further impairment incurred for 2025, it is a sign that redeployment opportunities remain high for non-Russian clients in the Caspian Sea like Kazakhstan,
- Having said that, the contract demand may likely be in 2027 horizon. If such contract awards occur in 2026 horizon, they may be a major unexpected share price catalyst

India FPSO Demand

- We highlighted potential new FPSOs of up to four projects in India in our earlier results note
- There are only <5 FPSO players with track record in India. The BAB-Sharpooji consortium stands out significantly for operating 3 out of 5 existing FPSOs in India
- If there are any new FPSO bids in the country, we assume the Sharpooji partnership remains unchanged, and BAB to be invited as joint bidding partner for new India FPSOs. There is a risk that Sharpooji may pursue new India FPSOs on their own.
- A brief check with management seems to show no excitement yet on potential new projects from India

Partnership with renowned players like MISC

- Before the rumours of MISC-BAB merger fizzled out, there was positive share price reaction on BAB.
- We are not ruling out potential partnership on the project level. If a player like MISC participates as project partner, we think it may be a share price catalyst, simply because it is a form of recognition from a FPSO peer that BAB remains relevant in today's FPSO market.

Source: BAB, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	1,589	1,427	1,373	1,318
EBITDA	847	755	740	697
Deprec. & amort.	255	223	213	205
EBIT	592	532	526	492
Total other non-operating income				
Associate contributions	42	82	82	82
Net interest income/(expense)	(243)	(171)	(120)	(81)
Pre-tax profit	445	443	489	493
Tax	2	0	0	0
Minorities	(8)	(8)	(8)	(8)
Net profit	477	435	480	485

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	5,078	4,851	4,656	4,471
Other LT assets	875	817	760	703
Cash/ST investment	1,316	1,580	1,765	2,210
Other current assets	859	772	742	712
Total assets	8,756	8,695	8,599	8,771
ST debt	502	502	200	200
Other current liabilities	240	241	238	235
LT debt	1,895	1,402	908	717
Other LT liabilities	136	0	281	221
Shareholders' equity	5,924	6,603	7,024	7,450
Minority interest	68	74	80	86
Total liabilities and equity	8,756	8,695	8,599	8,771

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	1,035	844	766	724
Pre-tax profit	592	532	526	492
Tax	204	89	26	27
Other operating cashflows	255	223	213	205
Investing	28	(28)	(28)	(28)
Capex (growth)	28	(28)	(28)	(28)
Others				
Financing	(1,073)	(552)	(552)	(251)
Others/interest paid	(59)	(59)	(59)	(59)
Net cash inflow (outflow)	(9)	264	185	445
Beginning cash & cash equivalent	1,427	1,316	1,580	1,765
Ending cash & cash equivalent	1,316	1,580	1,765	2,210

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	53.3	52.9	53.9	52.9
Pre-tax margin	28.0	31.1	35.6	37.5
Net margin	27.6	30.5	35.0	36.8
ROA	2.8	2.8	3.1	3.1
ROE	7.6	7.1	7.6	7.4
Growth				
Turnover	21	8	4	0
EBITDA	186	155	150	136
Pre-tax profit	123	123	125	125
Net profit	122	122	124	125
Net profit (adj.)	122	122	124	125
EPS	122	122	124	125
Leverage				
Debt to total capital	40.8	29.1	15.9	12.4
Debt to equity	40.5	28.8	15.8	12.3
Net debt/(cash) to equity	18.2	4.9	-	-
Interest cover (x)	3.5	4.4	6.2	8.6

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link:
<https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc> or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."